



*Governor's Office of Planning and Budget
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Utah Advisory Council on Intergovernmental Relations

*Ken Bassett, Chair
Commissioner Patrick Cone, First Vice Chair
Senator Millie Peterson, Second Vice Chair*

*Mark Bedel, Executive Director
John Bennett, Assistant Director
Sylvia Haro, Executive Secretary*

MINUTES

May 18, 2001

10:00 a.m.

Room 223, State Capitol

Members in attendance:

Janice Auger, Taylorsville City Mayor
Ken Bassett, Chair, Vernal City Manager
Chad Bennion, Representative
Ted Boyer, Dept. of Commerce Director
Lois Bulloch, Iron County Commissioner
Chesley Christensen, Mt. Pleasant Mayor
Patrick Cone, Vice Chair, Summit Co.
Commissioner
Margaret Dayton, Representative
Palmer DePaulis, Tax Commission
Commissioner
Linda Hamilton, South Ogden City Manager
Robert Haywood, Dept. of Human Services
Randy Horiuchi, Salt Lake City Council
Ty McCartney, Representative
Linda Ogden, Utah School Board
Association Pres.
Carol Page, Davis County Commissioner
John Quick, Dept. of Transportation
Richard Walker for Dick Bradford, DCED
James Whitaker, Dept. of Workforce
Services
Ann Wilcox-Hardy, Citizen Appointee
Max Young, Representative

Staff in attendance:

Mark Bedel, GOPB
John Bennett, GOPB
Sylvia Haro, GOPB

Members excused/absent:

Peter Knudson, Senator
Millie Peterson, 2nd Vice Chair, Senator

Guests in attendance:

Roger Jones, BRAG
John Williams, Five County AOG
Sara McCormick, Center for Public Policy
Adm.
Emery Polelonema, Six County AOG
Tim Sheehan, Senator Bennett's Office
Brad Shafer, Senator Bennett's Office
West Curtis, Governor's Rural Partnership
Office
Jeff Burks, State Office of Energy

I. Welcome and Introductions

Mr. Ken Bassett, UACIR chair, called the meeting to order at 10:05 a.m. Chairman Bassett welcomed all those in attendance.

II. Approval of Minutes

MOTION: Chesley Christensen made a motion to approve the minutes from April 27, 2001, with no corrections. Linda Ogden seconded the motion. The motion was unanimously approved.

III. Rural Broadband Services

West Curtis, Director of the Governor's Rural Partnership Office, reported on Rural Smart Sites. The Rural Smart Sites concept was announced in December. The Smart Sites in various rural communities consist of a facility that is wired with broadband, high speed infrastructure for computer networks, and communication equipment. It also has another component that is very important and that is smart workers. These are workers who are trained in technology skills who perform outsourcing work with high tech companies. Smart Sites offer is a trained and stable workforce in an industry where there is traditionally a lot of turnover.

In the last session, we received \$500,000 from the legislature for the Smart Site concept. We've taken those funds and gone after some federal grants and used the appropriated money as a match. We have a pending grant through the Department of Commerce in the amount of \$825,000, and another is pending in the amount of \$500,000 from EDA. The funds for this program will total almost \$2 million if all the grants are approved. The money would be used primarily for equipment, bandwidth, and worker training. So far, six sites have been selected and they are: Cache/Box Elder, Roosevelt, Carbon/Emery County, Blanding, Sanpete, and Cedar City. The Cedar City site is up and running and contracts for services have been signed with Novell. The jobs with Novell are 150% of the average wage in Iron County.

Rep. Max Young stated that he appreciated what they are trying to do and feels it's a great first step. His concern is providing broadband and high speed access for rural Utah. Rep. Young asked if there was a separate plan beyond the training to make these services available in rural Utah. He also asked if the broadband high speed capabilities are going to be available in rural Utah, when that would take place. Mr. Curtis stated that many people would be surprised to find that 80% of rural Utah have adequate bandwidth available. In fact, telecommunications services in some rural areas in Utah surpass what many locations in the Wasatch Front get. For example, DSL services are already available in many of our rural communities. There are pockets in rural Utah that don't have bandwidth capabilities and we are working to extend these services to those parts of the state. The problem is that broadband services are provided by the private sector, not the public sector and sometimes it is very difficult to influence private sector business decisions.

Rep. Young asked if there was a matrix of the State that would show exactly where that coverage is. Mr. Curtis indicated that the Chief Information Officer had been working for the last few months on this project and plans on making this information available on the Internet. For further information regarding the matrix, contact Jeanie Watanabe in the CIO's office.

Linda Ogden asked what the time table was on expansion of the six sites that have already been selected. Mr. Curtis indicated that within the next two-three weeks, they will producing a Smart Site Assessment on all of the communities. The communities would assess themselves in terms where they are and what they want to do and submit that information. When all of the responses are in, and communities show that they meet the basic elements and have the desire to pursue the project, they would come on board. Ms. Ogden asked if training would be provided. Mr. Curtis stated that they have partnered with higher education facilities throughout the State to provide the training. In a couple of cases they have gone after some grants to provide subsidies for that training for the workers. Additional information on this topic is available on website www.utahreach.usu.edu.

IV. Taxation Task Force Update

Rep. Chad Bennion reported that the Taxation Task Force will be meeting on the first Friday of each month at 9:00 a.m., in Room 405 of the State Capitol. For agenda information on upcoming meetings, visit UACIR website where a link is provided, or you can visit the Legislature's website directly. John Bennett pointed out that the law requires the Taxation Task Force to make a formal report to UACIR twice a year. Rep. Bennion indicated the Task Force will coordinate with UACIR staff on dates to make those reports.

V. 2001 Work Plan

Mark Bedel referred to a list of recommendations on topics to discuss at scheduled UACIR meetings in 2001. The three major topics decided at the previous UACIR meeting were: Energy Production and Conservation, Water Resource Financing, Development and Conservation, and Boundary and Annexation.

Mr. Bedel indicated that there were other topics that members of the Council recommended as secondary study items. John Bennett performed an informal survey by e-mail and gathered the data.

John Bennett reported that he received 10 responses and the results were as follows:

1. Unfunded Mandates
2. Relationship between state projects and local land use ordinances
3. Whether tax incentives are effective in economic development
4. The Census and its impact on redistricting
5. Southern Utah Power Grid

Mr. Bennett recommended having topic #3 (Tax Incentives and Economic Development) included in the August Summit as that is one of the main topics for the Summit. Item #5 (Southern Utah

Power Grid) be included in energy discussions, which is one of major topics of discussions for UACIR during 2001. The other topics could be discussed during other meetings as desired by the Council.

Linda Hamilton suggested forming subcommittees to focus on the three major topics and possibly other committees to cover the sub-topics. Ann Wilcox Hardy supported the idea of forming subcommittees and recommended that staff schedule the sub-topics in the agendas throughout the year as they see fit. Mayor Janice Auger expressed support for subcommittees and would also like to see subcommittees formed to start looking at the sub-topics.

MOTION: Ann Wilcox Hardy made a motion to form three subcommittees, one to deal with energy production and conservation, another with water resources development planning and conservation, and another to deal with boundary issues and annexation. Chad Bennion seconded the motion. The motion was unanimously approved.

Rep. Bennion mentioned that additional subcommittee could be formed in the future to deal with other topics.

MOTION: Ann Wilcox Hardy made a motion that after the main topics that have been designated with subcommittees that we leave to staff the responsibility of slotting in the other topics suggested by members of the Council. Max Young seconded the motion. The motion was unanimously approved.

Commissioner Carol Page suggested sending an e-mail out in the next couple of weeks and asking members which committees they benefit the most by serving, and having those committees in place by the next UACIR meeting.

Chairman Bassett reiterated that all members be contacted prior to the next meeting and be given an opportunity to determine which of these subcommittees they would like to participate on, and that will be reported to the Council at the next meeting. Chairman Bassett strongly recommended for everyone to participate in at least one subcommittee.

Linda Ogden indicated that when scheduling subcommittee meetings that consideration be given to those who would travel long distances.

Ann Wilcox Hardy suggested including outside experts in the subcommittees.

VI. Energy Conservation and Efficiency

Jeff Burks, Utah State Office of Energy reported that Energy Conservation and Efficiency is getting considerable attention these days in light of significant increases in energy prices. Compared to the

discussion of 20 years ago, treatment of the topic has matured. It is no longer regarded as the Amoral equivalent of war. Today, energy efficiency and conservation are considered economic, resource, and environmental imperatives of any comprehensive energy plan.

- \$ President Bush has made it a prominent part of his recent energy plan.
- \$ Western Governors listed energy conservation and demand reductions as the only short-term solution to the power crisis in the west this past winter. California alone is investing over \$800 million in energy efficiency and conservation efforts this year.
- \$ Governor Leavitt's Energy Policy principals call for his administration to A..cultivate an ethic of energy conservation and efficiency@ and promote policies and programs that support sustained investment in energy efficiency and conservation programs.
- \$ The work of two task forces of the Utah Public Service Commission over the last two years addressed funding, and program design for utility sponsored energy efficiency programs. The most recent Task Force report will be filed with the PSC by the end of the month.

Energy efficiency and conservation are not the same. Both fall under the general heading of Demand Side Resources or demand side management. Demand side management has three basic components: energy efficiency, conservation, and load management.

- C Energy efficiency involves investment in technological measures or practices that reduce the use of energy yet deliver an equivalent or improved level of service. Energy efficiency measures slow overall load growth and the need to build new and expensive generating plants or purchase power on the wholesale market.
- C Conservation, on the other hand, reduces the use of electricity but less service is provided. Conservation can be achieved through either public appeals via public-service announcements or other types of persuasion to curtail usage voluntarily, or through price increases which force consumers to reduce usage to avoid higher costs.
- C Load management changes the timing of electricity consumption to increase production efficiency through a more efficient utilization of the system. There are three general types of load management: peak shaving, valley filling, and load shifting.

This past summer, Utah's electric utilities were not able to meet customers power needs and were forced to spend tens of millions of dollars to buy wholesale power on the spot market at prices that were six to 20 times the historical average. PacifiCorp has requested a 19% rate increase and municipal power agencies across the state have imposed rate increases of between 10 and 25% on their public power customers.

Energy efficiency and conservation are increasingly being viewed as least cost strategies for acquiring additional resources and keeping our electric utilities from having to purchase wholesale power in the Aspot@market. ACheaper to save than to build@

Some of the benefits: Public policies that support sustained investment in energy efficiency and conservation make economic sense.

- \$ Conservation is the least cost resource in a utilities portfolio.
- \$ Studies of the impact of DSM investments on state economies, and jobs have consistently reported net benefits to the economy.
- \$ DSM contributes to system reliability.
- \$ Distribution investments and maintenance costs are related to the level of electricity load served. To the extent utilities implement DSM programs construction and financing costs, and maintenance expenses can be avoided.
- \$ There is increasing recognition that policies designed to increase energy efficiency and conservation can have measurable impacts on air quality. (Montana, Maryland, Texas legislation.)
- \$ Because DSM reduces total customer bills for electricity it frees up net disposable income for other uses and improves competitiveness of our industries. (This case was made by Mark Case, Energy Engineering consultant in an excellent OP-Ed piece in the SLTrib)

There are as many types of incentives as there are States. In general States have adopted a range of policies to promote energy efficiency and these policies typically fall under one of these categories: Executive, Legislative, Regulatory (Including air quality), and Utility (Rebates, financing)

Tellus Report: What are the energy savings opportunities in Utah? And what measures might we target with our public policies? The PSC Energy Efficiency Advisory Group hired the Tellus Institute to conduct an economic analysis of achievable, cost effective energy efficiency (demand side management) measures that exist in the state of Utah. (Assist in design, funding of DSM)

The study concluded that if implemented over a period of 6 years, these energy efficiency measures could reduce energy demand by the equivalent of 680 MW with an investment of \$264 million dollars. As a comparison a new 750 MW unit at IPP would cost about \$1 billion. Additional information on the Tellus study, and a PDF version of the report, is available on the Tellus Institute's website www.tellus.org

The economic costs and benefits for the DSM portfolio was evaluated for the period 2001-2025. The cumulative net present value of energy resource savings from DSM was estimated to result in a net benefit of \$1.08 billion (2000 dollars) and a benefit/cost ratio of 3.9 to 1. Moreover, implementation of these measures would actually reduce electricity rates for all customers--not just the customers that participated in the programs to the tune of \$110 million.

A number of factors can have profound impacts on the success or effectiveness of DSR programs. Individuals and business may not use societal criteria or make long-term economically rational decisions about investments in energy efficiency. Their decisions are often burdened by a lack of information and money or uncertainty about the costs and benefits. They may also apply high discount rates to the future benefits of energy efficiency. Consequently, decisions to invest in energy-efficient measures are frequently delayed or poorly executed.

Since regulators, utilities, and customers want to keep costs down, they may tend to limit the funds available for providing incentives, which consequently may limit investments in energy efficiency below optimal levels.

Mr. Burks recommended areas where energy efficiency actions could be influenced by local governments and state government. It could be handled by executive branch, legislature, tax incentives, tax credits/exemptions, energy efficiency policy addressed regulatory standards, that would include zoning, codes, and standards that we might have at the local level.

Why is energy is important to both state and local government? We need to be conscious of energy efficiency, conservation and the way we use energy in our public buildings, because the State of Utah spends about \$42 million on energy each year. These are taxpayer funds. As public employee we need to be vigilante with tax payer dollars, we have fiduciary responsibility to minimize the cost to our tax payers in the way we operate and maintain our buildings.

Energy efficiency can also influence economic development in our communities. To the extent that we can use these strategies to keep rates down and maintain our utility infrastructure, we position ourselves to better attract industries and businesses to our communities. In California, since the rates have gone up and they've had rolling black outs, there has been a constant stream of economic development recruiters going to that state trying to attract businesses to move to other areas with more stable supplies of energy. By engaging in energy efficiency and energy conservation, State and local government can help influence economic development opportunities in their jurisdictions. It can also influence energy use through zoning and land use regulations, codes and energy performance standards provided in codes for maintaining energy efficient structures and buildings. There has also been a great deal of discussion going on about transmission siting (new power plants). However, not many want it in their backyards. If we take these steps, we can avoid building some power plants.

Mayor Auger asked if there were any plans to create incentives for upgrading to energy efficient refrigerators, furnaces, and storm windows, at the state level. In the 70's there were federal tax credits for implementing energy efficiency (furnaces and storm windows) items in our homes. Mr. Burks responded that he was not aware of any incentives on the state level, but he believes the Bush administration has proposed some tax credits for energy efficiency automobiles.

Klare Bachman of the Department of Commerce, indicated there were individuals in her staff with expertise in Energy issues, as the State Division of Public Utilities and the Advocacy group for consumers are both part of the Utah Department of Commerce and offered to assist the committee if needed.

Randy Horiuchi suggested having a brief report on where we are on power range and future needs, from Scottish Power, IPA and municipal power agencies.

Ann Wilcox Hardy indicated that Bountiful has their own power and have establish a rebate program to those residents who reduce they power usage. Murray x Municipal power company has similar programs. Utah Power also has energy savings incentive programs. These include the 20/20, and

10/10 programs. In these programs, if you save 20% on your monthly usage, over what you used last year, Utah Power will give you an additional 20% credit on your bill. The 10/10 program rewards you in the same way if you reduce your power usage by 10%.

Mr. Burks stated that energy master planning at local community level can be very profitable, especially for those communities that have municipal utilities, so that they can avoid going to the wholesale spot market to purchase power. The time is right for this idea of energy master planning and state support for community based energy master planning. Communities face lots of issues associated with siting new power plants, planning for growth, and attracting new high tech businesses. There is a lot of interest in attracting e-commerce firms. This desire for high tech firms can have important implications for energy infrastructure in your communities, and for energy use. The State Office of Energy Services has an excellent website. The Governor has committed to building on his e-Utah initiative and provide an Energy Utah website that will specifically address energy efficiency and conservation issues, and also provide practical information for the citizens and communities in Utah on how to reduce their energy use, keep energy rates low, and our economy strong.

Rep. Bennion asked Mr. Burks to clarify if the State of Utah was a net importer. Mr. Burks said the State was a net importer at certain times during the day. We export about 36% of the electricity that we generate, that's primarily out of IPP, under contract to Southern California for the rest of the system. At certain times of the year, we have to import electricity supplies from the Pacific northwest. The advantages of being on the PacifiCorp Power system, they have higher resources in the northwest that are available to us during the summer that can help us meet our summer peak, at other times Utah Power exports power to the northwest during the Winter to help them meet their peak.

The last state official energy policy was written in 1977. Since that time, Governor Leavitt released a statement of energy policy principles on March 2001 for this administration.

Mark Bedel asked Mr. Burks if had any recommendations on how UACIR could assist with the energy situation. Mr. Burks stated that the Office of Energy Services and the Office of Energy and Resource Planning will be merging. The merger has occurred because of the changing circumstances in the energy market, we have re-evaluate our policies, our strategic plans, and establish priorities. It would help for UACIR to identify the needs of local government entities and what they would like to get from the State Energy Office. He also recommended looking into a Community Based Energy Master Plan, including those that have their own power system, and look at energy codes and standards, address the siting of energy facilities in the communities, consider whether or not they want to offer property tax credits for the locating these facilities and evaluate clean energy systems, efficiency and conservation to reduce the need for diesel generators to meet peak demands in their community. Look at what the best energy policy practices of community based energy programs throughout the country. Murray has had a very active energy program and Bountiful has been active in this area. These communities could provide a roadmap to start thinking how they might want to engage in this whole energy arena. It does have some important implications on the way they operate, maintain public facilities, siting of energy infrastructure, tax revenue they might get from energy purchases from their citizens to the extent that those are taxed through excise

tax or sales tax. How does state energy policies and programs integrate with those handled at the local level and how do we bring those two together so we're on the same page and not pulling against each other. We need to be very careful while establishing codes and standards at the local level or attempt to deregulate markets at the state level or tax policies. We must be vigilant and take care for the unintended consequences of government actions.

James Whitaker asked if he was aware of any resources in providing assistance in planning or assessing their community needs. Mr. Burks suggested contacting consultants as he was not aware of others within government that could provide these services.

Commissioner Bulloch indicated she would like to see State establish a policy and have it filtered down to the local level, as it is important to have some guidance and education at the local level. Mr. Burks stated the Governor has provided some guidance through his energy supply task force and that he will be coming out with an energy conservation program or campaign in the very near future. It would include the primary principles to give local governments and private entities as much flexibility as they desire in coming up with their own specific program.

VII. Report from Congress on Energy and Broadband Services

Tim Sheehan, State Director for Senator Bennett, gave an update on Congressional energy and broadband proposals. Senator Bennett is very supportive of the administration's energy plan. There are two major Senate bills relating to energy that will be heard by Congress starting next week: SB 388, National Security Act of 2001, sponsored by 18 Republican Senators, including Senator Bennett. SB 597, a comprehensive balanced energy policy act of 2001, sponsored by 15 Democratic Senators. Senate majority leader has said that he would like to have a bill on the President's desk by July 4 and no later than the summer's end. In the Bush plan there 105 recommendations, 42 of those are aimed at helping modernize and increase conservation and protect the environment, 35 are aimed at helping diversify the supply of energy in the country, 25 of those aimed at helping strengthen the U.S. position in global alliances and our national energy security positioning, 12 of those can be implemented by executive order, 73 of those are directed at federal agencies, and 20 of them are recommendations that Congress must implement.

Chairman Bassett inquired about the expansion of reserves that we have. Brad Shafer stated the panel recommended to the President to urge the Secretary of Interior to streamline the process and to review and reduce royalty payments. This would help redevelopment of old fields and develop smaller fields. Senator Bennett is reviewing this issue and how he could help Utah and Uintah Basin expand energy production. He is trying to identify more money for the BLM and Bureau of Indian Affairs to process drilling applications.

Mr. Sheehan stated that broadband is an issue Senator Bennett has not had a lot of involvement in. There are three areas of discussion.: 1) Easing the restrictions on the 1996 Telecom Act, which would allow local phone companies to provide long distance or broadband service within their area. 2) Compelling cable companies to provide open access to competing Internet service providers. 3) Legislation on accelerating broadband penetration in local and rural, and low income areas through grants and tax incentives. No action on any of these areas was taken by the 106th Session.

This Congress has been addressing HB 1542. The intent of that bill is to encourage the deployment of broadband services to rural areas by easing the restrictions imposed on those bell companies by the 1996 Telecom Act. HB 1542 was introduced on April 25, 2001 in the House Energy and Commerce Committee, it then went to a subcommittee on the Telecommunications and Internet. It passed out of that Committee by 19 to 14 vote, amending the bill so that would prevent the combining voice and data. This bill would provide data services but not voice services. It was then referred to the Energy and Commerce Committee.

SB 88 (co-sponsored by Senator Bennett), would provide tax credits to companies that invest in broadband equipment and serve local, rural and low income areas. Unfortunately this bill has gone nowhere.

Rep. Young inquired about the amendment to HB 1542. Mr. Sheehan explained that under the 1996 Telecom Act one of the provisions was that the local providers could not get into the long distance voice business until they met some extensive requirements (14 point criteria). Allowing local companies to provide both voice and data services is in direct conflict with the 1996 Telecom Act and possibly agreeing to ban voice transmission was one part of the negotiations to keep the bill alive in order to have the broadband access in data transmission moving forward.

Contact John Bennett for a copy of a list indicating legislation that is pending in Congress regarding broadband access.

VIII. 2001 Intergovernmental Summit

John Bennett reported on behalf of the Summit Planning Committee. The topic for the 2001 Intergovernmental Summit will be related to: How do local governments deal with the need to generate revenue through economic development, increasing revenue or identifying new revenue streams. The secondary topic: Ways to save money - through consolidation of services? The Summit was scheduled on August 30, 2001, in Salt Lake City.

2000 Summit Budget Report:

The 2000 Summit had a net profit of \$1.63. Some cuts were necessary in order to stay within budget. One of the cuts was made in the elimination of dessert. Total cost for the 2000 Summit was \$5,300. Total costs for the 1999 Summit was \$6,400.

Sponsors for 2001 Summit:

Several Council members have agreed to contact organizations and solicit their support for the upcoming Summit. The organizations that will be contacted by these members are: Association of Counties, Downtown Alliance, Realtors Association, Utah Power, Home Builders Association, AT&T, Questar, Contractors Association, and ULCT.

Additional companies that could be contacted are: Association of General Contractors, Chamber of Commerce, Wells Fargo, and perhaps Larry Miller. Mr. Bennett asked for volunteers to contact these organizations and others for sponsorship of the Summit. The amount that is being requested is \$500-\$1,000. Breakfast, breaks, and lunch may also be sponsored.

The next Summit Planning Committee was scheduled on **June 8, 2001**, at **8:30 a.m.**, Room 127 of the State Capitol.

IX. Other Business

Linda Ogden stated she has scheduling conflicts with at least four of the remaining meetings. Mayor Auger suggested doing a poll through e-mail and asking members if the third or fourth Friday of the month would work better for them. John Bennett agreed to do a poll and present the findings at the next meeting.

Rep. Young requested for the presenters to provide a document that outlines their report prior to the meeting.

X. Next Meeting/Adjournment

DATE: Friday, June 27, 2001
TIME: 10:00 a.m.
PLACE: Room 223 - State Capitol
Salt Lake City

Meeting Adjourned at 12:20 p.m.

Minutes prepared by: Sylvia Haro

This and all other UACIR information is available on GOPB's web site
<http://governor.state.ut.us/uacir>